

**Armed Forces Retirement Home Consolidated Balance Sheet**  
*as of September 30, 2005 and 2004 (In Dollars)*

	<u>2005</u>	<u>Unaudited 2004</u>
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 6,523,911	\$ 6,741,059
Investments (Note 3)	124,841,901	114,815,789
Accounts receivable, net	<u>3,168,942</u>	<u>1,850,099</u>
Total intragovernmental	<u>\$ 134,534,754</u>	<u>\$ 123,406,947</u>
Accounts receivable, net	\$ 760,959	\$ 160,413
General property, plant and equipment, net (Note 4)	<u>77,871,110</u>	<u>86,902,106</u>
<b>Total assets</b>	<b><u>\$ 213,166,823</u></b>	<b><u>\$ 210,469,466</u></b>
Liabilities:		
Intragovernmental		
Other (Note 5)	\$ 2,088,914	\$ 1,848,312
Total intragovernmental	<u>\$ 2,088,914</u>	<u>\$ 1,848,312</u>
Accounts payable (Note 5)	\$ 1,348,501	\$ 1,324,554
Other (Note 5)	<u>4,394,856</u>	<u>3,770,864</u>
Total liabilities	<u>\$ 7,832,271</u>	<u>\$ 6,943,730</u>
Net Position:		
Cumulative results of operations	\$ 205,334,552	\$ 203,525,736
Total net position	<u>\$ 205,334,552</u>	<u>\$ 203,525,736</u>
<b>Total liabilities and net position</b>	<b><u>\$ 213,166,823</u></b>	<b><u>\$ 210,469,466</u></b>

The accompanying notes are an integral part of these statements.

**Armed Forces Retirement Home Consolidated Statement of Net Cost**  
*for the years ended September 30, 2005 and 2004 (In Dollars)*

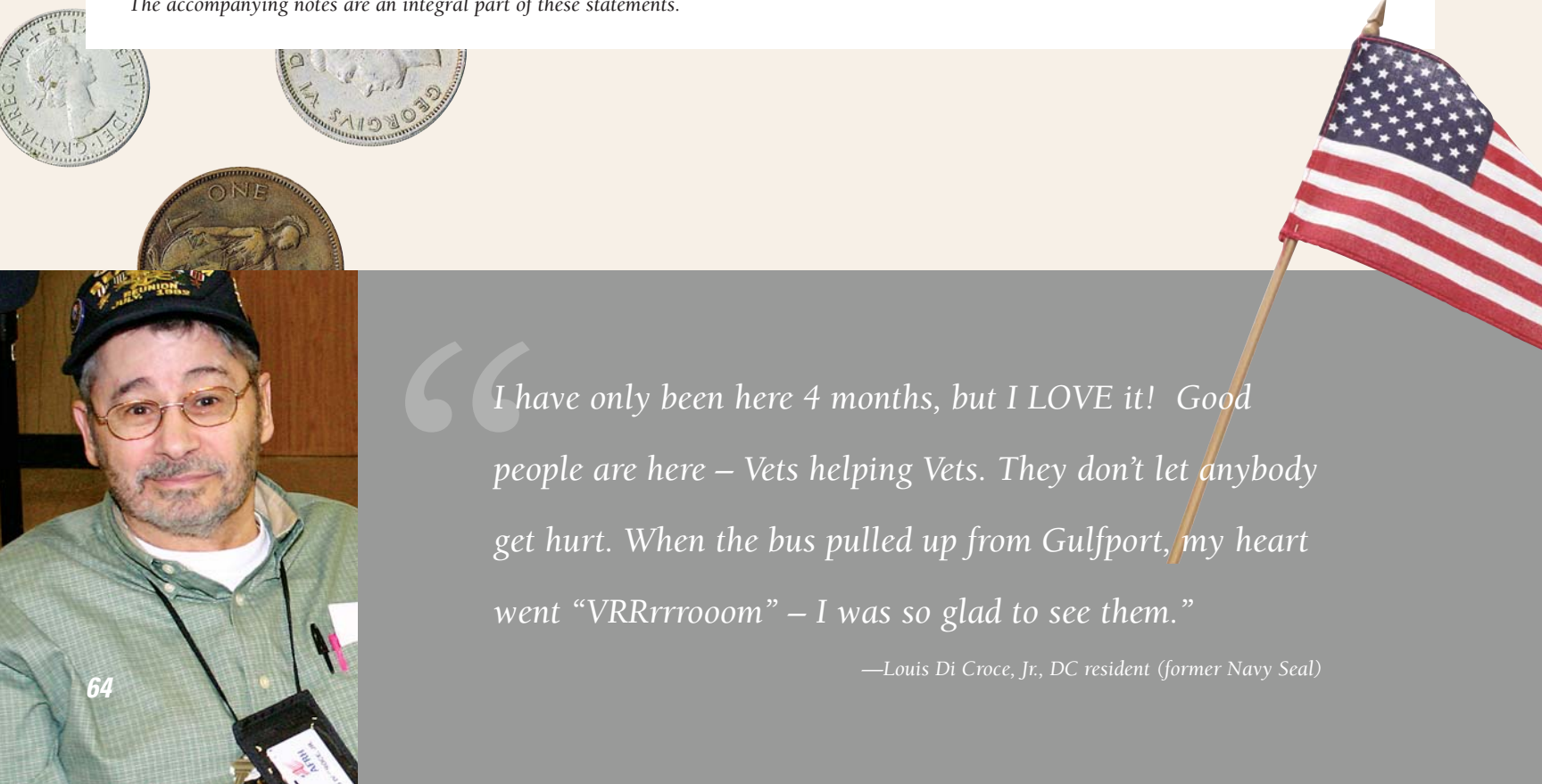
	<u>2005</u>	<u>Unaudited 2004</u>
Program Costs:		
Intragovernmental gross costs	\$ 14,544,577	\$ 8,074,660
Less: Intragovernmental earned revenue	<u>(4,026,112)</u>	<u>(3,875,287)</u>
Intragovernmental net costs	\$ 10,518,465	\$ 4,199,373
Gross costs with the public	\$ 58,167,905	\$ 68,984,361
Less: Earned revenues from the public	<u>(13,928,789)</u>	<u>(35,022,186)</u>
Net costs with the public	\$ 44,239,116	\$ 33,962,175
Total net cost	<u>\$ 54,757,581</u>	<u>\$ 38,161,548</u>
<b>Net Cost of Operations</b>	<b><u>\$ 54,757,581</u></b>	<b><u>\$ 38,161,548</u></b>

The accompanying notes are an integral part of these statements.

**Armed Forces Retirement Home Consolidated Statement of Changes in Net Position**  
*for the years ended September 30, 2005 and 2004 (In Dollars)*

	Unaudited	
	2005	2004
	Cumulative Results of Operations	Cumulative Results of Operations
Beginning Balances	\$ 203,525,736	\$ 188,165,867
Prior period adjustments	-	-
Beginning balances, as adjusted	\$ 203,525,736	\$ 188,165,867
Budgetary Financing Sources		
Nonexchange revenue	48,228,592	50,145,519
Donations and forfeitures of cash and cash equivalents	1,006,078	953,073
Transfers-in/out without reimbursement	5,200,000	-
Other Financing Sources:		
Imputed financing from costs absorbed by others	2,131,727	2,422,825
Total Financing Sources	\$ 56,566,397	\$ 53,521,417
Net Cost of Operations	54,757,581	38,161,548
Ending Balances	<u>\$ 205,334,552</u>	<u>\$ 203,525,736</u>

The accompanying notes are an integral part of these statements.



“I have only been here 4 months, but I LOVE it! Good people are here – Vets helping Vets. They don’t let anybody get hurt. When the bus pulled up from Gulfport, my heart went “VRRrrrooom” – I was so glad to see them.”

—Louis Di Croce, Jr., DC resident (former Navy Seal)

**Armed Forces Retirement Home Combined Statement of Budgetary Resources**  
*for the years ended September 30, 2005 and 2004 (In Dollars)*

	2005	Unaudited 2004
Budgetary Resources:		
Budget authority		
Appropriations received	\$ 66,824,000	\$ 65,279,000
Unobligated balance:		
Beginning of period	20,661,522	30,502,132
Spending authority from offsetting collections:		
Earned		
Collected	-	4,739
<b>Subtotal</b>	<b>\$ 87,485,522</b>	<b>\$ 95,785,871</b>
Recoveries of prior year obligations		
Actual	\$ 8,496,094	\$ 4,379,861
Temporarily not available pursuant to Public Law	(492,992)	(385,146)
<b>Total Budgetary Resources</b>	<b>\$ 95,488,624</b>	<b>\$ 99,780,586</b>
Status of Budgetary Resources:		
Obligations incurred		
Direct		
Category A	\$ 58,921,632	\$ 61,848,761
Category B	3,270,210	17,270,303
Subtotal	\$ 62,191,842	\$ 79,119,064
Unobligated balance		
Apportioned		
Balance, currently available	\$ 33,296,782	\$ 20,661,522
<b>Total status of budgetary resources</b>	<b>\$ 95,488,624</b>	<b>\$ 99,780,586</b>
Relationship of Obligations to Outlays		
Obligated balance, net, beginning of period	\$ 16,158,262	\$ 9,636,988
Obligated balance, net, end of period		
Undelivered orders	4,720,024	12,595,019
Accounts payable	4,480,900	3,563,243
Outlays		
Disbursements	60,653,086	68,217,929
Collections	-	(4,739)
Subtotal	\$ 60,653,086	\$ 68,213,190
Less: Offsetting receipts	-	-
<b>Net Outlays</b>	<b>\$ 60,653,086</b>	<b>\$ 68,213,190</b>

The accompanying notes are an integral part of these statements.

**Armed Forces Retirement Home Consolidated Statement of Financing**  
for the years ended September 30, 2005 and 2004 (In Dollars)

	2005	Unaudited 2004
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations incurred	\$ 62,191,842	\$ 79,119,064
Less: Spending authority from offsetting collections and recoveries	8,496,094	4,384,600
Obligations net of offsetting collections and recoveries	\$ 53,695,748	\$ 74,734,464
Less: Offsetting receipts	-	-
Net obligations	\$ 53,695,748	\$ 74,734,464
Other Resources		
Imputed financing from costs absorbed by others	2,131,727	2,422,825
Net other resources used to finance activities	\$ 2,131,727	\$ 2,422,825
Total resources used to finance activities	\$ 55,827,475	\$ 77,157,289
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	\$ (7,874,994)	\$ 4,350,165
Resources that fund expenses recognized in prior periods	210,482	-
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Other	\$ 20,404,735	\$ 43,285,622
Resources that finance the acquisition of assets	3,180,991	209,968
Other resources or adjustments to net obligated resources that do not affect net cost of operations	(5,200,000)	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 10,721,214	\$ 47,845,755
Total Resources Used to Finance the Net Cost of Operations	\$ 45,106,261	\$ 29,311,534
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	\$ -	\$ 1,796,790
Other	177,234	315,857
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 177,234	\$ 2,112,647
Components not Requiring or Generating Resources:		
Depreciation and amortization	5,567,942	6,755,868
Revaluation of assets or liabilities	3,893,878	-
Other	12,266	(18,501)
Total components of Net Cost of Operations that will not require or generate resources	\$ 9,474,086	\$ 6,737,367
Total components of Net Cost of Operations that will not require or generate resources in the current period	\$ 9,651,320	\$ 8,850,014
<b>Net Cost of Operations</b>	<b>\$ 54,757,581</b>	<b>\$ 38,161,548</b>

The accompanying notes are an integral part of these statements.





## AFRH - NOTES TO THE FINANCIAL STATEMENTS

for the years ended September 30, 2005 and 2004

### Note 1. Summary of significant accounting policies

**A. Reporting Entity** - The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24U.S.C. The AFRH is an independent agency in the executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, DC.

The mission of the AFRH is to fulfill our Nation's commitment to provide care through a comprehensive range of services for America's Armed Forces Veterans. We support our residents' independence, dignity, distinction, heritage, and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests, and follow their dreams.

The 1991 Defense Authorization Act created an Armed Forces Retirement Home Trust Fund (Trust Fund). Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis.

**B. Basis of Presentation** - The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts of the AFRH. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002 and the Office of Management and Budget (OMB) Bulletin Number 01-02, Audit Requirements for Federal Financial Statements. They have been prepared from, and are fully supported by, the books and records of AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, Financial Reporting Requirements and the AFRH accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the AFRH's use of budgetary resources.

The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Financing. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all dollar amounts are presented in dollars.

**C. Basis of Accounting** - Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

To assist OMB in recommending and publishing comprehensive accounting standards and principles for agencies of the Federal Government, the Secretary of the Treasury, the Comptroller of the United States, the Director of OMB and the Joint Financial Management Improvement Program established the Federal Accounting Standards Advisory Board (FASAB) in 1990. The American Institute of Certified Public Accountant's Council designated FASAB as the accounting standards authority for Federal government entities.

### D. Exchange Revenue, Non-Exchange Revenue and other Financing Sources

**Exchange Revenues** – are inflows of resources to a government entity that the entity has earned. Exchange revenue is derived from the rendering of services, the sale of resources and the use by others of entity assets yielding interest or dividends.

The AFRH's exchange revenue consists primarily of resident fees, rental income, leases and sales of land, custodial services, meal tickets and interest earned on Treasury securities. Revenue from resident fees is recognized when services are provided and is invested for future funding requirements.

**Non-Exchange Revenues** – are inflows of resources the government demands or receives by donation. Such revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that the collection is probable and the amount is reasonably estimated.

The AFRH's non-exchange revenue consists of military fines and forfeitures, monthly payroll withholdings from enlisted military personnel, bequests and donations. Non-exchange revenue is recognized when collected.



**Financing Sources** - The AFRH receives the majority of funding needed to support operations and capital expenditures from the Trust Fund. The Trust Fund is financed by military fines and forfeitures, monthly payroll deductions from enlisted military personnel, resident fees, interest earned on Treasury securities and donations.

The AFRH recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

**E. Taxes** - The AFRH, as a Federal entity, is not subject to Federal, State, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

**F. Fund Balance with Treasury** - The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. The AFRH does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of State and are reported by the AFRH in the U.S. dollar equivalents. See Note 2 for additional information.

**G. Investment in U.S. Government Securities** - Trust Fund balances may only be invested in interest bearing debt securities issued by the Bureau of the Public Debt. The AFRH's investments are purchased exclusively through the Bureau of the Public Debt's FEDINVEST system. These securities are market based Treasury securities issued without statutorily determined interest rates and consist of Treasury bills and notes.

The AFRH classifies these investments as held-to-maturity at the time of purchase. The investments are stated at acquisition cost plus or minus any premium or discount. Premiums and discounts are amortized over the life of the Treasury security using the interest method. The AFRH's intent is to hold the investments to maturity, unless securities are needed to sustain operations. No provision is made for realized gains or losses on these securities due to the fact that they are held-to-maturity. Interest is received semi-annually on the held-to-maturity investments. This interest is accrued monthly until it is received.

The AFRH also has an investment in a one-day certificate issued by the Bureau of the Public Debt. The interest earned on the certificate is reinvested in the certificate on a daily basis. These investments are classified as trading securities. The income from the daily interest earned is recorded on a monthly basis. See Note 3 for additional information.

**H. Accounts Receivable** - Accounts receivable consists of amounts owed to the AFRH by other Federal agencies and the public. Amounts due from Federal agencies are considered fully

collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when either (1) based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent. Accounts Receivable balances are \$3,929,901 and \$2,010,512 as of September 30, 2005 and 2004, respectively.

**I. General Property, Plant and Equipment, Net** - The AFRH owns the land and buildings in which both homes operate. The majority of the property, plant and equipment is used to provide residential and health care to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to \$25,000 per unit is capitalized. Routine maintenance is expensed when incurred. Construction costs are capitalized as part of the construction-in-progress account until the asset is completed then transferred to the appropriate property account. Depreciation expense is recognized on property, plant and equipment with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. All the AFRH's heritage assets are multi-use facilities and are classified as general property, plant and equipment. See Note 4 for additional information. The useful lives used when recording depreciation on property, plant and equipment are as follows:

Description:	Useful Life (in years)
Land Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10

**J. Liabilities** covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intra-governmental liabilities are claims against the AFRH by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources on the Statement of Financing. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. See Note 5 for additional information.

**K. Accounts Payable** consists of amounts owed to other federal agencies and trade accounts payable.

**L. Annual, Sick and Other Leave** is accrued as it is earned and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used.

**M. Retirement Plans** - Most employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The employees who participate in CSRS are beneficiaries of the AFRH's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. FERS offers a savings plan to which AFRH automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, the AFRH also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the AFRH remits the employer's share of the required contribution.

The AFRH recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicates these factors to the AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

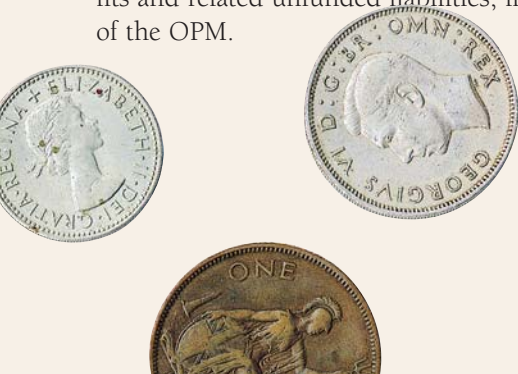
The AFRH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits and related unfunded liabilities, if any, is the responsibility of the OPM.

**N. Imputed Costs / Financing Sources** - Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The AFRH recognized imputed costs and financing sources in fiscal year 2005 and 2004 to the extent directed by the OMB.

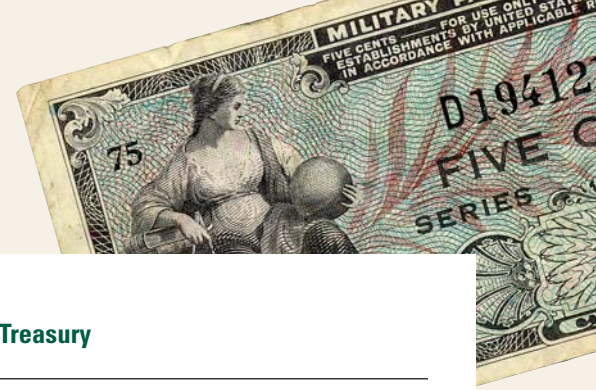
**O. Use of Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

**P. Contingencies** - Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The AFRH recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. The AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to the AFRH for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made. There are no contingencies that require disclosure.

**Q. Accrued Workers' Compensation** - A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because the AFRH will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA. See Note 5 for additional information.







**Note 2. Armed Forces Retirement Home Fund Balance with Treasury**  
*as of September 30, 2005 and 2004*

	2005	Unaudited 2004
Fund Balance with Treasury	\$ 6,523,911	\$ 6,741,059
Investment in US Government Securities	124,841,901	114,815,789
Less: Accrued Interest	(1,095,759)	(1,095,759)
Unamortized Premium	(727,909)	(2,340,315)
<b>Total</b>	<b>\$ 129,542,144</b>	<b>\$ 118,120,774</b>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 33,296,782	\$ 20,661,522
Unavailable	87,044,438	81,300,990
Obligated Balance not yet Disbursed	9,200,924	16,158,262
<b>Total</b>	<b>\$ 129,542,144</b>	<b>\$ 118,120,774</b>

Unobligated fund balances represent the amount of trust fund appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation, or for paying claims attributable to the appropriations. Unobligated capital fund balances are treated as no year funds. Therefore, there are no period of availability restrictions on these funds.

**Note 3. Armed Forces Retirement Home Investments in US Government Securities**  
*Schedule of Investments as of September 30, 2005*

Description	Value at Maturity	Discount/Premium Outstanding	Accrued Interest	Book Value
MK Note <i>Matures October 15, 2006</i>	\$ 36,726,000	\$ 703,243	\$ 1,095,759	\$ 38,525,002
MK Bill <i>Matures December 29, 2005</i>	87,056,000	(739,975)	-	86,316,025
One Day Certificate <i>Matures Daily</i>	874	-	-	874
<b>Total Investments</b>	<b>\$ 123,782,874</b>	<b>\$ (36,732)</b>	<b>\$ 1,095,759</b>	<b>\$ 124,841,901</b>

**Investments in US Government Securities**  
*Schedule of Investments as of September 30, 2004 (Unaudited)*

Description	Value at Maturity	Discount/Premium Outstanding	Accrued Interest	Book Value
MK Note <i>Matures November 15, 2004</i>	\$ 15,000,000	\$ 72,076	\$ 442,969	\$ 15,515,045
MK Note <i>Matures February 15, 2005</i>	20,698,000	281,268	194,044	21,173,312
MK Note <i>Matures October 15, 2006</i>	36,726,000	1,349,958	1,095,759	39,171,717
One Day Certificate <i>Matures Daily</i>	38,955,715	-	-	38,955,715
<b>Total Investments</b>	<b>\$ 111,379,715</b>	<b>\$ 1,703,302</b>	<b>\$ 1,732,772</b>	<b>\$ 114,815,789</b>

The market values of the trust fund investment portfolio at September 30, 2005 and 2004 are \$123,902,126 and \$114,703,305, respectively.





**Note 4. Armed Forces Retirement Home General Property, Plant and Equipment**  
***Schedule of Property, Plant and Equipment as of September 30, 2005***

Description	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land & Improvements	\$ 10,982,370	\$ (9,299,384)	\$ 1,682,986
Buildings & Improvements	180,073,394	(119,160,368)	60,913,026
Equipment	3,405,220	(2,026,123)	1,379,097
Construction in Progress	<u>13,896,001</u>	<u>-</u>	<u>13,896,001</u>
<b>Total</b>	<b>\$ 208,356,985</b>	<b>\$ (130,485,875)</b>	<b>\$ 77,871,110</b>

***Schedule of Property, Plant and Equipment as of September 30, 2004***

Description	Acquisition Cost	Accumulated Depreciation	Net Book Value
Land & Improvements	\$ 10,982,370	\$ (9,059,393)	\$ 1,922,977
Buildings & Improvements	166,447,948	(114,554,983)	51,892,965
Equipment	3,761,873	(2,357,497)	1,404,376
Construction in Progress	<u>31,681,788</u>	<u>-</u>	<u>31,681,788</u>
<b>Total</b>	<b>\$ 212,873,979</b>	<b>\$ (125,971,873)</b>	<b>\$ 86,902,106</b>

The General Services Administration periodically holds auctions to sell antiquated and unused property on behalf of the AFRH. When a capitalized asset is sold at an auction, the AFRH decreases the recorded property amount by the cost of the asset and records a corresponding gain or loss depending on the net book value of the asset sold.

Due to the damage caused by Hurricane Katrina in August 2005, management decided to revalue the recorded book value of the property, plant and equipment located at the Gulfport, MS campus. After a thorough review, management decided to write-off assets with a total cost of \$7,165,804. A loss of \$3,893,878 was recorded upon the disposition of these assets.

**Note 5. Liabilities**

The accrued liabilities for the AFRH are comprised of program expense accruals, payroll accruals and annual leave (funded and unfunded) earned by employees. Program expense accruals represent expenses that were incurred prior to year-end, but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end, but were not paid.

**Armed Forces Retirement Home Liabilities**  
***account balances as of September 30, 2005 and 2004***

	2005	2004 Unaudited
Intragovernmental		
Accrued Liabilities	\$ 133,339	\$ 69,193
Payroll Taxes Payable	194,644	195,422
Unfunded FECA Liability	<u>1,760,931</u>	<u>1,583,697</u>
<b>Total Intragovernmental</b>	<b><u>2,088,914</u></b>	<b><u>1,848,312</u></b>
Accounts Payable	1,348,501	1,324,554
Accrued Liabilities	1,911,884	1,078,276
Accrued Funded Payroll	896,664	895,798
Unfunded Annual Leave	<u>1,586,308</u>	<u>1,796,790</u>
<b>Total Liabilities</b>	<b>\$ 7,832,271</b>	<b>\$ 6,943,730</b>

All liabilities are current liabilities.

### Note 6. Liabilities Not Covered by Budgetary Resources

The liabilities on the AFRH Balance Sheet, as of September 30, 2005 and 2004, include liabilities not covered by budgetary resources. These are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. Further, there are no intragovernmental liabilities not covered by budgetary resources. Other liabilities not covered by budgetary resources consist entirely of unfunded leave and unfunded FECA liability. As of September 30, 2005 and 2004, unfunded leave and FECA liability balances are \$3,347,239 and \$3,380,487, respectively.

### Note 7. Armed Forces Retirement Home Operating / Program Costs as of September 30, 2005 and 2004

Budgetary Object Classifications	2005	2004 Unaudited
Personnel & Benefits	\$ 32,687,445	\$ 39,147,929
Travel & Transportation	338,169	451,029
Rents, Communication & Utilities	4,273,749	4,173,577
Printing & Contractual Services	17,377,325	17,002,114
Supplies and Materials	5,689,488	3,711,772
Equipment	12,337,635	12,536,147
Miscellaneous	8,671	36,453
Total	\$ 72,712,482	\$ 77,059,021

### Note 8. Armed Forces Retirement Home Operating Imputed Financing Sources

The AFRH recognizes the amount of accrued pension and post-retirement benefit expenses for current employees as imputed financing. The assets and liabilities associated with such benefits are the responsibility of the administering agency – the Office of Personnel Management (OPM). Amounts paid from the US Treasury's Judgment Fund in settlement of claims or court assessments against the AFRH are also recognized as imputed financing. For the fiscal years ended September 30, 2005 and 2004, imputed financing was \$2,131,727 and \$2,422,825, respectively.



## The *requirements* to meet

Federal agencies are required to classify and report “heritage assets,” in accordance with the requirements of SFFAS No. 8, “Supplementary Stewardship Reporting.” Heritage assets include property, plant and equipment that possess one or more of the following characteristics: historical or natural significance, cultural, educational, aesthetic value or architecturally significant.

The cost of heritage assets is usually not determinable. So, the AFRH does not place a value on them – or establish minimum value thresholds for the designation of property, plant and equipment as heritage assets. Further, the useful lives of heritage assets are not reasonably

estimable for depreciable purposes. Since the most relevant information about heritage assets is their existence, they are qualified in terms of physical units.

All told, the AFRH has four buildings and structures designated as National Historic Landmarks. However, three of these are considered to be “multi-use” heritage assets – where they are used in day-to-day government operations and not used for heritage purposes. In accordance with SFFAS No. 8, such multi-use heritage assets are accounted for as general property, plant and equipment and are capitalized and depreciated as such.

**Roy Pickel, an original member of the WWII “Band-of-Brothers,” presents a signed print commemorating the famed Army Airborne Paratrooper Division.**





**Armed Forces Retirement Home Required Supplementary Information**  
**Intragovernmental Transactions as of September 30, 2005**

**Intragovernmental Assets**

Agency	Fund Balance with Treasury	Investments	Accounts Receivable	Total
Treasury	\$ 6,523,911	\$ 124,841,901	\$ -	\$ 131,365,812
Air Force	-	-	514,398	514,398
Army Corp of Engineers	-	-	63,136	63,136
Marines	-	-	2,591,408	2,591,408
Total	\$ 6,523,911	\$ 124,841,901	\$ 3,168,942	\$ 134,534,754

**Intragovernmental Liabilities**

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury	\$ (29,266)	\$ -	\$ -	\$ (29,266)
Treasury General Fund	-	(55,073)	-	(55,073)
Army	(44,864)	-	-	(44,864)
General Services Administration	(6,363)	-	-	(6,363)
Labor	-	-	(1,760,931)	(1,760,931)
Navy	(7,248)	-	-	(7,248)
Personnel Management	-	(139,571)	-	(139,571)
Secretary of Defense	(19,882)	-	-	(19,882)
Veteran's Affairs	(25,716)	-	-	(25,716)
Total	\$ (133,339)	\$ (194,644)	\$ (1,760,931)	\$ (2,088,914)



“I went from DC to Gulfport for the southern hospitality — where I could walk outside safely. Now I’m back in DC and I see something is going on. The streets are clean and very nice.”

—William Norvell, Gulfport resident





**Armed Forces Retirement Home Required Supplementary Information**  
**Intragovernmental Transactions as of September 30, 2004**

**Intragovernmental Assets**

Agency	Fund Balance with Treasury	Investments	Accounts Receivable	Total
Treasury	\$ 6,741,059	\$ 114,815,789	\$ -	\$ 121,556,848
Army	-	-	1,300,220	1,300,220
Marines	-	-	549,879	549,879
Total	\$ 6,741,059	\$ 114,815,789	\$ 1,850,099	\$ 123,406,947

**Intragovernmental Liabilities**

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury	\$ (4,818)	\$ -	\$ -	\$ (4,818)
Treasury General Fund	-	(51,478)	-	(51,478)
Army	(20,158)	-	-	(20,158)
General Services Administration	(30,871)	-	-	(30,871)
Labor	-	-	(1,583,697)	(1,583,697)
Personnel Management	-	(143,944)	-	(143,944)
Veteran's Affairs	(13,346)	-	-	(13,346)
Total	\$ (69,193)	\$ (195,422)	\$ (1,583,697)	\$ (1,848,312)



## The *age* to embrace

**T**his eccentric club began with a few resolute women who decided to greet middle age with verve and humor. So one day, they decided to go to tea, wearing bright red hats and gloves – and the most outlandish purple dresses they could find. The trend took off and the group evolved into a national organization. The official Web site of the Red Hat society says, “We

believe silliness is the comedy relief of life, and since we are all in it together, we might as well join red-gloved hands and go for the gusto together.” Underneath all the frivolity, these women share a bond of affection and a genuine enthusiasm for wherever life happens to take them next. An AFRH chapter was formed in Gulfport and boasts dozens of members that meet for tea, lunch and folly.

## “Ode to the Red Hat Society”

by Sue Ellen Cooper

*A poet put it very well. She said when she was older,  
She wouldn't be so meek and mild. She threatened to get bolder.  
She'd put a red hat on her head, and purple on her shoulder.  
She'd make her life a warmer place, her golden years much golder.*

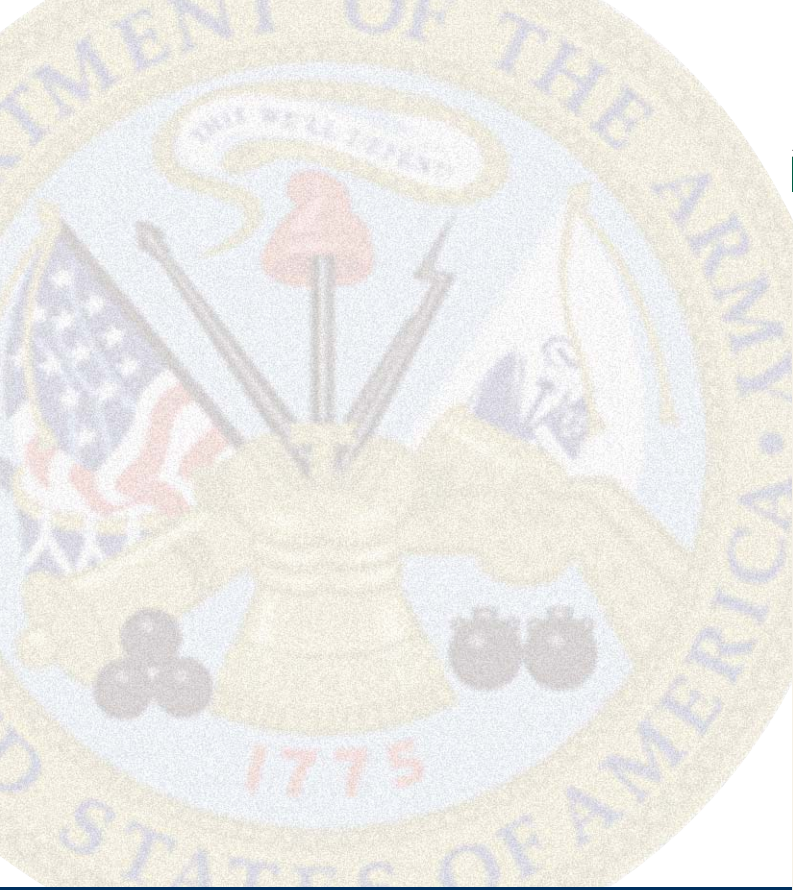
*We read that poem, all of us, and grasped what she is saying.  
We do not need to sit and knit, although we all are graying.  
We think about what we can do. Our plans we have been laying.  
Instead of working all the time, we'll be out somewhere playing.*

*We take her colors to our hearts, and then we all go shopping  
For purples clothes and hats of red, with giant brims a-flopping.  
We're tired of working all the time, and staying home and mopping.  
We order pies and chocolate fudge, and rich desserts with topping.*

*We crown ourselves as duchesses and countesses and queens.  
We prove that playing dress-up isn't just for Halloween.  
We drape ourselves in jewels, feathers, boas, and sateen.  
We see ourselves on television and in magazines.*

*We laugh, we cry, we hug a lot. We keep each other strong.  
When one of us goes out for fun, the rest all go along.  
We gad about, we lunch and munch, in one big happy throng.  
We've found the place where we fit in, the place we all belong.*



**Acronym****Meaning****AFRH**

Armed Forces Retirement Home

**BPD**

Bureau of Public Debt

**CFO**

Chief Financial Officer

**COO**

Chief Operating Officer

**COTS**

Commercial-Off-The-Shelf

**DEOMI**

Defense Equal Opportunity Management Institute

**DFAS**

Defense Finance and Acquisition System

**DoD**

Department of Defense

**FAR**

Federal Acquisition Regulation

**FEDInvest**

Federal Investment (software application)

**FFMIA**

Federal Financial Management Improvement Act

**FISMA**

Federal Information Security Management Act

**FMFIA**

Federal Managers Financial Integrity Act

**FTE**

Full-time Equivalents

**FY**

Fiscal Year

**GPRA**

Government Performance and Results Act

**IPAC**

Intragovernmental Payment and Collection System

**IPIA**

Improper Payments Information Act

**IT**

Information Technology

**IP**

Internet Protocol

**JCAHO**

Joint Commission on Accreditation of Healthcare Organizations

**JFMIP**

Joint Financial Management Improvement Act

**KHC**

King Health Center

**MCOC**

Management Control Oversight Council

**NFC**

National Finance Center

**NLT**

No Later Than

**OMB**

Office of Management and Budget

**OSD**

Office of the Secretary of Defense

**OSHA**

Occupational Safety and Health Administration

**PART**

Program Asset Rating Tool

**PPE**

Property, Plant and Equipment

**RIS**

Resident Information System

**Seabees**

Naval Construction Battalion

**STAR**

Systems Time and Attendance Report

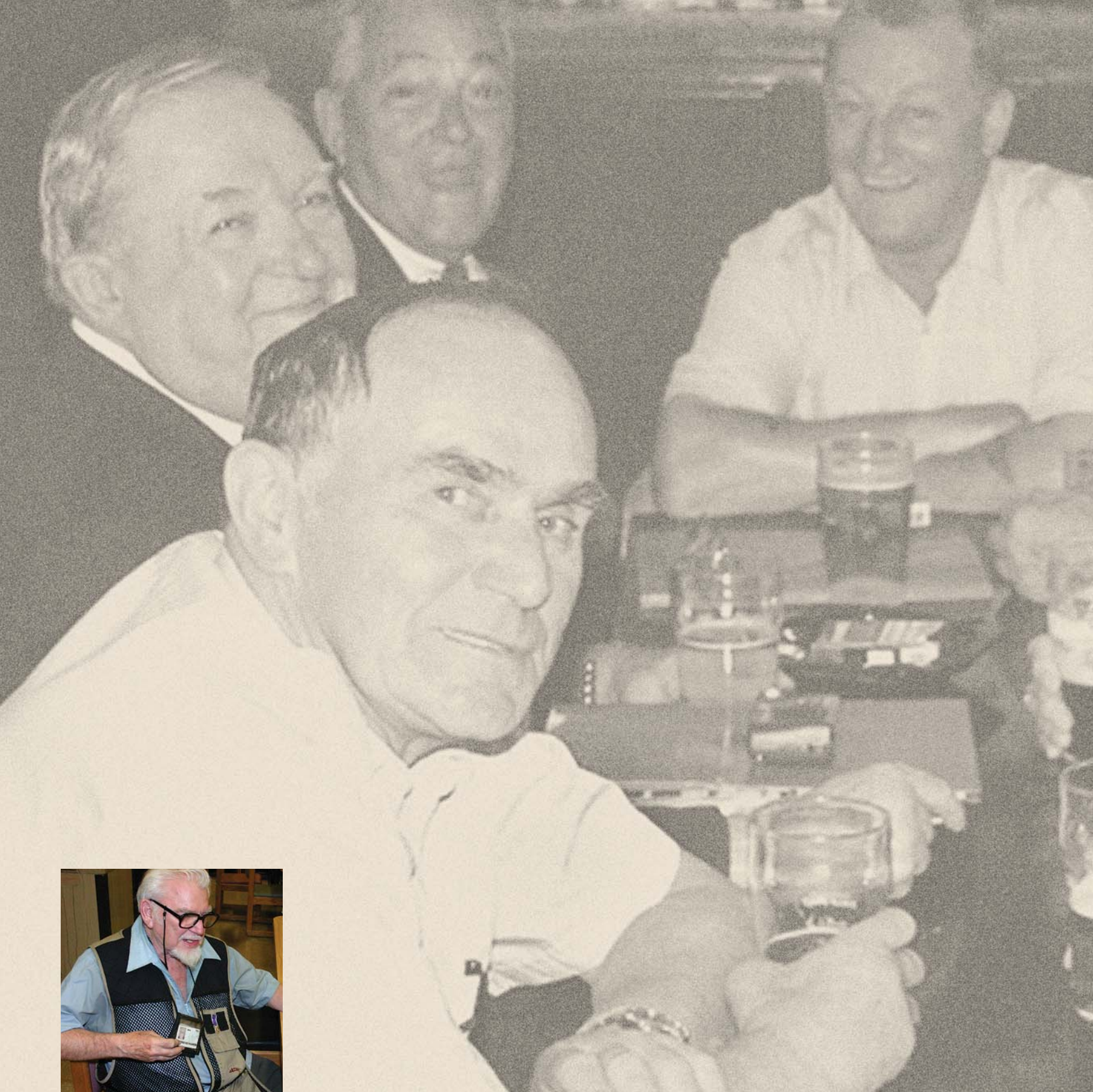
**U.S.C.**

United States Code

**USSGL**

US Standard General Ledger





“There is comradeship here – you can’t match that for any place in the world! I came here for health reasons and I appreciate it more and more. There is always somebody to visit you – and they’ve gone through the same things. You don’t have to say anything; they just know what you have been through.”





## **WE'D LIKE TO HEAR FROM YOU**

*Thank you for reviewing our 2005 PAR. Tell us: did we present information in a useful way? Where did we succeed? And what could we improve? We welcome your input. Simply contact us by US mail or e-mail:*

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ATTENTION: Chief Financial Officer

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PHONE: 800.422.9988

FAX: 202.730.3492

## **WE'D LIKE TO THANK YOU**

*To all those who made a difference during and after Hurricane Katrina: the management and staff of the Home would like to extend its sincere appreciation and heartfelt thanks.*

### **Many kudos go to the:**

Seabees  
Contracting Office  
Bureau of Public Debt  
Administrative Resource  
Center

*To all those who made timely donations – either financial, clothing, items or personal services – we appreciate your generous support. You have truly given us*

**The Strength to Endure.**



ARMED FORCES  
RETIREMENT HOME

*Now, more than ever, we're...*

Protecting a promise | Renewing a trust.

## **“Graduation Oak”**

**by Brigadier General E.b. Kitchens  
Gulf Coast Military Academy, Class of 1936**

*Ancient oak, I stand in awe and wonder  
As I contemplate your  
span of life and callings.  
Explorers traced the trail beside you  
when, as a sapling, you  
sought your share of light.  
Before you, top gallants above the sea  
beyond, the British fleet  
sailed in a war that was –  
To a battle yet to be at Chalmette,  
You saw the island fort, a prize of battle,  
become a dungeon hell  
for soldiers of the gray.  
In a better time, young men named you  
as a symbol of a goal to seek.  
You served them well; thus your name  
will not die with them.  
Your strength and massive spread now  
legend, you were called  
again to a high and worthy purpose.  
To shade them as they realize their voyages past,  
these old warriors of the sea.  
Yes, I stand in awe and wonder, ancient tree.*

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